

## Message Text

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ACTION ARA-20

INFO OCT-01 ADP-00 SS-15 L-03 INR-10 PM-07 RSR-01 RSC-01

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R 031258Z AUG 73

FM AMEMBASSY PANAMA

TO SECSTATE WASHDC 8134

S E C R E T SECTION 1 OF 3 PANAMA 4091

STADIS//////////

E.O. 11652: XGDS1 12-31-92

TAGS: PFOR, PN

SUBJ: NSC UNDER SECRETARIES COMMITTEE STUDY ON PANAMA  
CANAL RELATIONS.

REF: SECSTATE 145040.

SUMMARY: FOLLOWING ARE EMB RESPONSES TO THE EIGHT QUESTIONS  
CONTAINED IN PARAGRAPH 6 OF REFTEL. WE DO NOT BELIEVE  
A NEW TREATY RELATIONSHIP CAN BE WORKED OUT ON THE BASIS  
OF THE CURRENT OFFER AND IT SHOULD THEREFORE BE MODIFIED.  
WE SHOULD RESUME NEGOTIATIONS AS PROMPTLY AS POSSIBLE  
SO AGREEMENT MAY BE REACHED ON A FEW SIGNIFICANT POINTS  
IN OR OUTSIDE TREATY CONTEXT BY JANUARY 1974. WE DO NOT  
BELIEVE WE CAN MAINTAIN THE STATUS QUO AND THE LONGER WE  
DELAY THE MORE DIFFICULT IT IS TO ACHIEVE AGREEMENT AND  
AVOID INCREASED INTERNATIONAL CRITICISM. FINALLY OUR  
ABILITY TO MODIFY THE RELATIONSHIP UNILATERALLY IS LIMITED,  
BUT SOME CONCESSIONS IF THEY COULD BE WORKED OUT BILATERALLY  
WOULD HELP SIGNIFICANTLY AND ADVANCE THE POSSIBILITIES  
OF A NEW ENDURING TREATY RELATIONSHIP. END SUMMARY.

GOVERNOR PARKER AND CINCSO HAVE INSTRUCTIONS TO REPORT  
SEPARATELY THROUGH THEIR COMMAND CHANNELS. FOLLOWING  
RESPONSES THEREFORE REPRESENT ONLY COUNTRY TEAM  
CONSENSUS ON QUESTIONS:

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1) PROSPECTS FOR AGREEMENT ON CURRENT US TERMS.

WE BELIEVE AGREEMENT ON A NEW TREATY ON TERMS THE US IS  
NOW OFFERING CERTAINLY CANNOT BE ACHIEVED IN ANY REASON-  
ABLE OR ACCEPTABLE TIME FRAME AND PROBABLY NOT AT ALL.

IT IS DIFFICULT TO STATE CATEGORICALLY THE EXTENT OF CHANGES IN OUR OFFER WHICH MIGHT BE NECESSARY BECAUSE OF THE FOLLOWING AMBIGUITIES:

A. PANAMA IS A SMALL COUNTRY WHICH RESENTS ANY SUGGESTION THAT WE DO NOT CONSIDER HER A SOVEREIGN EQUAL. WE HAVE TOLD PANAMA THE CANAL ZONE IS PANAMANIAN TERRITORY (ACTING SECRETARY'S NOTE OF JULY 10, 1970.) AND WE HAVE ACKNOWLEDGED SINCE THE 1903 CONVENTION WAS SIGNED THAT PANAMA RETAINED SOVEREIGNTY BUT WE HAVE NOT BEEN WILLING TO GIVE EFFECT ON THE GROUND TO THIS LEGAL SITUATION OR THE PRESIDENT'S POLICY STATEMENT OF OCT. 1969: FOR EXAMPLE, WE HAVE NOT BEEN CONSULTING PANAMA ON DEFENSE PLANS AND WE HAVE RESISTED AGREEING TO DO SO IN A NEW TREATY. WE CONTINUE TO INSIST EVEN IN A NEW TREATY THAT WE WILL TRY PANAMANIAN IN U.S. COURTS FOR CRIMINAL OFFENSES ON PANAMANIAN TERRITORY. WE CONSISTENTLY FLY PANAMA'S FLAG IN AN INFERIOR INSTEAD OF A CO-EQUAL POSITION IN THE CANAL ZONE. PANAMA'S ATTITUDE TOWARD A TREATY MIGHT BE CONSIDERABLY DIFFERENT IF WE FIRST MADE SOME ADJUSTMENTS IN THE CONDUCT OF CANAL ZONE RELATIONSHIPS.

B. PANAMA IS RESISTING THE CONCEPT THAT IT SHOULD NEGOTIATE FOR U.S. RETENTION OF RIGHTS WHICH PANAMA INSISTS IT DID NOT GRANT UNDER THE 1903 CONVENTION. A KEY ISSUE IN THIS CATEGORY IS WHETHER WE HAVE THE RIGHT TO CARRY ON NON-CANAL DEFENSE ACTIVITIES IN THE CANAL ZONE BUT THERE ARE OTHERS.

C. FINALLY, THERE HAS BEEN LITTLE BARGAINING WITH PANAMA ON THE ISSUES. ISSUES WERE EXPLORED FROM JULY-DEC. 1971 AND FORMAL POSITIONS WERE EXCHANGED IN DECEMBER 1972 AND FEBRUARY 1973, BUT WE HAVE YET TO GET TO HARD BARGAINING. ON THE KEY ISSUE OF EXPANSION FOR EXAMPLE WE ARE NOT CERTAIN WHAT WE WANT AND WHEN WE WANT IT, AND THEREFORE WE ARE HAVING DIFFICULTY RESOLVING THE DURATION ISSUE. THE SEA-LEVEL CANAL STUDY WAS GIVEN OFFICIALLY TO PANAMA AND IT CALLED FOR A DEFINITIVE DECISION BY 1975 BECAUSE A NEW CANAL WOULD BE NEEDED BY 1990. PANAMA HAS BASED ITS  
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POSITION ON THIS STUDY BUT WE HAVE NOT BEEN DEFINITE AND IN EFFECT HAVE ASKED PANAMA TO WITHHOLD DEVELOPMENT IN THIS KEY AREA TO THE WEST OF THE CANAL FOR TWO OR THREE DECADES UNTIL WE MAKE UP OUR MIND.

2) CHANGES IN OUR OFFER.

WE SHOULD MODIFY OUR OFFER ON DURATION, EXPANSION, JURISDICTION, LAND AREAS, DEFENSE, AND ECONOMIC BENEFITS.

A. WE SHOULD STATE DEFINITELY WHAT WE WANT TO DO ABOUT A SEA-LEVEL CANAL AND THUS DEFINE OUR POSITION ON DURATION SO THAT PANAMA WILL KNOW WHAT TO EXPECT FOR THE NEXT 50 TO 75 YEARS AND BE ABLE TO PLAN ITS OWN NATIONAL FUTURE.

B. WE SHOULD GIVE PANAMA A CHOICE ON JURISDICTION BE-

TWEEN: 1) RETENTION OF US JURISDICTION IN ZONE, INCLUDING COURTS, POLICE, ETC. OVER US CITIZENS AND CERTAIN OFFENSES BY PANAMANIAN FOR 15 YEARS, OR 2) PANAMANIAN JURISDICTION BUT COMPLETE IMMUNITIES FOR US CITIZEN OFFICERS AND EMPLOYEES OF USG FOR 15 YEARS. IN EITHER CASE, AFTER THE 15 YEAR PERIOD US OFFICERS OF THE CANAL ADMINISTRATION WOULD HAVE COMPLETE IMMUNITY AND US CITIZEN EMPLOYEES WOULD HAVE IMMUNITY FOR OFFICIAL ACTS. US MILITARY PERSONNEL WOULD BE UNDER THE JURISDICTION OF THE US GOVT ON-BASES FOR THE LIFE OF THE TREATY AND OFF-BASE IN ACCORDANCE WITH THE SOFA.

C. WE SHOULD AGREE TO PHASE-OUT MOST OF THE US MILITARY BASES FROM EAST BANK OF CANAL OVER A 25-YEAR PERIOD TO OTHER MUTUALLY AGREED AREAS AND THUS PERMIT MORE ORDERLY DEVELOPMENT OF PANAMA CITY.

D. PANAMA'S POSITION ON ADMINISTRATION IN ITS PAPER OF DEC. 4, 1972, IF ACCEPTED, WOULD LEAD TO CONTINUAL AND SERIOUS CONFLICT. WE MUST INSIST ON THE RIGHT OF THE US GOVT. TO ADMINISTER ITS OWN AGENCIES SUBJECT TO REASONABLE CONDITIONS WHICH CONTRIBUTE TO PANAMA'S DEVELOPMENT AND DO NOT DISTORT ITS ECONOMY AS, E.G. , OUR MINIMUM WAGE POLICY DOES.

E. WE SHOULD ACCEPT THAT PANAMA SHOULD PARTICIPATE UNDER OUR ULTIMATE CONTROL IN THE PROTECTION OF THE CANAL AND BE CONSULTED ON ALL DEFENSE MATTERS.

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INFO OCT-01 ADP-00 SS-15 L-03 INR-10 PM-07 RSR-01 RSC-01

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R 031258Z AUG 73

FM AMEMBASSY PANAMA

TO SECSTATE WASHDC 8135

S E C R E T SECTION 2 OF 3 PANAMA 4091

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F. WE SHOULD PROPOSE A MORE FAVORABLE FORMULA ON ECONOMIC BENEFITS. THE NET COST OF GOVERNMENTAL FUNCTIONS IN THE ZONE IN 1972 WAS \$28 MILLION. IF PANAMA ASSUMES A MAJOR SHARE OF THE FUNCTIONS THE NET VALUE OF AN ANNUITY OF \$20-25 MILLION THE US IS OFFERING COULD BE AS LITTLE AS \$10-15 MILLION.

3) PROS AND CONS

A. PROS

1. THE OFFER WOULD BE MORE ACCEPTABLE TO PANAMA BECAUSE IT WOULD BE MORE DEFINITE AND COME CLOSER TO PANAMA'S ASPIRATIONS.

2. THE U.S. GOVERNMENT WOULD RETAIN FINAL CONTROL OF OPERATION, ADMINISTRATION AND DEFENSE OF THE CANAL.

3. PANAMA WILL BE LIKELY TO COOPERATE FULLY WITH US INSTEAD OF HARASS US, UNDER A MUTUALLY SATISFACTORY TREATY RELATIONSHIP.

B. CONS

1. THE OFFER WOULD REQUIRE U.S. EXPENDITURES TO RELOCATE BASES AND POSSIBLY TO PROVIDE A HIGHER ANNUITY IF TOLLS CANNOT BE INCREASED SUFFICIENTLY.

2. WE MIGHT HAVE TO SEPARATE OUT THE SEA LEVEL CANAL ISSUE AND LEAVE IT FOR ANOTHER TREATY 25 OR 30 YEARS HENCE.

3. PANAMA MIGHT BE RELUCTANT TO GRANT IMMUNITY TO SECRET

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SUCH A LARGE NUMBER OF AMERICANS IN WHICH CASE WE WOULD HAVE TO EXERCISE JURISDICTION OURSELVES WITH ATTENDANT IRRITATIONS.

4. GN PARTICIPATION IN DEFENSE WOULD COMPLICATE SOMEWHAT OUR MILITARY PLANS AND OPERATIONS.

4) CONGRESS

FROM THIS DISTANCE WE ARE RELUCTANT TO MAKE SUGGESTIONS ON STEPS TO ESTABLISH THE ACCEPTABILITY OF TREATY CHANGES TO THE CONGRESS. WE SHOULD, OF COURSE, ENGAGE IN INTENSIVE CONSULTATION WITH CONGRESS FOR THE PURPOSE OF PERSUADING CONGRESS OF THE NEED FOR CHANGES IN THE CANAL RELATIONSHIP TO PROTECT OUR SECURITY AS WELL AS OUR FOREIGN POLICY INTERESTS. HOWEVER, OUR CONTACTS WITH VISITING MEMBERS OF CONGRESS SUGGEST THERE ARE SERIOUS DOUBTS AND MISUNDERSTANDINGS IN CONGRESS ABOUT OUR LEGAL RIGHTS AND OUR PRESENT AND FUTURE REQUIREMENTS WHICH WE SHALL HAVE TO ADDRESS EFFECTIVELY IN ORDER TO BE PERSUASIVE. IN THE PAST WE HAVE NOT BEEN ABLE TO DO SO. TO ILLUSTRATE, SENATORS AND REPRESENTATIVES WHO ARE CONCERNED WITH THE CANAL AND HAVE VISITED PANAMA AND THE CANAL ZONE HAVE ASKED QUESTIONS ALONG THESE LINES:

A. IS THE CANAL ZONE U.S. OR PANAMANIAN TERRITORY?

B. IS PANAMA THE SOVEREIGN AND DID WE ACQUIRE ONLY THE RIGHT TO EXERCISE THE ATTRIBUTES OF SOVEREIGNTY?

C. AS A MATTER OF MUNICIPAL LAW, DO WE OWN THE LAND IN THE CANAL ZONE? IF WE PURCHASED THE LAND, DID WE REGISTER OUR TITLE WITH PANAMA? OR HAVE WE RELIED ON ARTICLE II OF THE 1903 CONVENTION FOR POSSESSION WHICH GRANTS US ONLY USE, OCCUPATION AND CONTROL? IF WE HAVE DONE THE LATTER, WHAT EFFECT HAS IT HAD ON OUR TITLE?

D. WHAT IS THE COMMERCIAL IMPORTANCE OF THE CANAL TO THE U.S.? DO WE NEED A SEA-LEVEL CANAL? WHEN? WHAT

EFFECT WOULD A TOLL INCREASE HAVE ON U.S. PRICES? WHAT  
EFFECT WOULD IT HAVE ON MY STATE IF THE U.S. GOVERNMENT  
HAD LESS CONTROL IN PANAMA?  
E. WHAT IS THE SECURITY IMPORTANCE OF THE CANAL TO  
THE U.S. IN PEACETIME? IN WARTIME? IF WE DO NOT NEED A  
SEA LEVEL CANAL FOR ECONOMIC REASONS, DO WE NEED ONE FOR  
MILITARY REASONS? CAN WE DEPEND ON PANAMA TO HELP PROTECT  
THE CANAL? WOULD IT ADVERSELY AFFECT U.S. SECURITY IF WE  
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DID NOT HAVE A REGIONAL MILITARY HEADQUARTERS IN PANAMA?  
IS PANAMA CORRECT IN SAYING WE HAVE NO TREATY RIGHT TO  
HAVE SUCH A HEADQUARTERS IN PANAMA?  
F. CAN WE RAISE TOLLS? HOW MUCH? WILL THIS PAY FOR  
AN INCREASED ANNUITY? OR WILL WE HAVE TO SUBSIDIZE  
OPERATIONS?  
G. CAN WE OPERATE THE CANAL EFFECTIVELY IF WE GIVE UP  
PART OF OUR JURISDICTION: OR ALL?

5) TIMING

NEGOTIATIONS SHOULD BE RESUMED AS SOON AS POSSIBLE. THE  
CRUCIAL DATE IN US-PANAMANIAN RELATIONS, BY WHICH TIME  
AGREEMENT MUST BE REACHED ON SOME SIGNIFICANT POINTS, IS  
JANUARY 9, 1974, THE TENTH ANNIVERSARY OF THE 1964 RIOTS.  
THERE HAS BEEN NO CHANGE IN THE CANAL RELATIONSHIP SINCE  
THAT TIME DESPITE OUR COMMITMENT TO REACH AGREEMENT TO  
REMOVE THE CAUSES OF CONFLICT IN OUR RELATIONS. IF THERE  
IS NO PROGRESS BY THAT DATE WE CAN EXPECT REAL STRAINS IN  
OUR RELATIONS AND POSSIBLE VIOLENCE. BEFORE THAT DATE,  
PANAMA MAY BE EXPECTED TO TAKE ITS CASE TO THE UNGA UNLESS  
NEGOTIATIONS ARE RESUMED SOON. OCTOBER 11 IS THE FIFTH  
ANNIVERSARY OF THE PRESENT GOVERNMENT AND IT WILL FEEL  
COMPELLED TO DENOUNCE THE U.S. GOVERNMENT UNLESS NEGOTIA-  
TIONS ARE IN PROGRESS. DECEMBER 12 IS THE 26TH ANNIVERSARY  
OF THE REJECTION OF THE FILO-HINES TREATY , BUT IT IS NOT  
LIKELY TO BE THE OCCASION FOR OUTBURSTS AS IN 1972 IF NEGOTIA-  
TIONS ARE MAKING PROGRESS.

6.) STATUS QUO

A STATUS QUO POSITION WOULD REQUIRE THE TORRIJOS GOVT TO  
REACT. ITS FIRST MOVE WOULD PROBABLY BE TO TAKE ITS CASE  
TO THE UNGA. THE TREND TOWARD BROADENING CONTACTS WITH  
COMMUNIST NATIONS, IDENTIFICATION WITH "THIRD WORLD"  
POSITIONS AND EFFORTS TO PUNISH US INTERNATIONALLY FOR OUR  
TREATY STANCE WOULD ACCELERATE, POSSIBLY INCLUDING  
ESTABLISHMENT OF RELATIONS WITH THE USSR AND CUBA. THE  
POSITION OF OUR FOES IN PANAMA WOULD BE SIGNIFICANTLY  
STRENGTHENED. IN ADDITION TO OVERHEATING THE ATMOSPHERE  
BY A SSTAIND PROPAGANDA CAMPAIGN AGAINST THE U.S. THROUGH  
THE CONTROLLED MEDIA, TORRIJOS WOULD PROBABLY ATTEMPT A  
GRADUATED CAMPAIGN BEGINNING WITH SELECTIVE NON-COOPERATION  
WITH CANAL ZONE AGENCIES, INCLUDING THE US MILITARY. OVER  
TIME THIS WOULD PROBALY BE BROADENED AND WOULD INCLUDE  
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DELIBERATE HARASSMENT OF THOSE AGENCIES SO SERIOUS AS TO GREATLY INCREASE THE DIFFICULTY AND COST OF CANAL OPERATION AND DEFENSE. THE GOP HAS FOR SOME TIME BEEN LAYING THE LEGAL GROUNDWORK IN PANAMA AND INTERNATIONAL ORGANIZATIONS FOR DENOUNCING THE 1903 CONVENTION AND IT MAY TAKE THAT STEP IF IT SEES LITTLE POSSIBILITY OF A NEW TREATY. IN THE ENSUING HOSTILE ATMOSPHERE IT IS DOUBTFUL THAT THE GOP WOULD BE ABLE TO REMAIN IN CONTROL OF THE CONFRONTATION TACTICS IT HAD ORIGINATED.

A PRIMARY RESTRAINT WE SEE ON THE GOP IS ITS ECONOMIC DEPENDENCE ON SUCH VOLATILE ITEMS AS TOURISM, BANING AND THE CREDIT-SENSITIVE HOUSING AND CONSTRUCTION INDUSTRY. HOWEVER, IT IS NOT BY ANY MEANS CLEAR THAT THE GOP FULLY PERCEIVES THE ECONOMIC DANGER OF POLITICAL CONFRONTATION. EVEN IF IT DOES, THE POLITICAL DYNAMISM OF CONFRONTATION IS SUCH THAT, ONCE EMBARKED ON THIS COURSE, POLITICAL SURVIVAL CAN EASILY REQUIRE GOING FORWARD, WHATEVER THE ECONOMIC COST. THERE IS, OF COURSE, ALSO THE DETERRENT OF OUR MILITARY PRESENCE BUT THIS HAS ITS LIMITATIONS.

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TO SECSTATE WASHDC 8136

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TWO MAJOR EFFECTS OF THIS PROCESS SEEM INVETABLE:

A) ULTIMATELY WE SHALL HAVE TO TRY TO WORK OUT THE SAME SET OF PROBLEMS BILATERALLY. NEW GRIEVANCES ON BOTH SIDES PRODUCED BY AN INTERVENING PERIOD OF HOSTILE CONFRONTATION CAN ONLY IMPEDE THE BILATERAL NEGOTIATING EFFORT WHENEVER RENEWED, AND B) TIME IS NOT ON OUR SIDE. BOTH INTERNATIONAL TRENDS AND THE DELIBERATE POLICY OF THE TORRIJOS GOVT ARE ERODING PANAMANIAN AND INTERNATIONAL ACCEPTANCE OF OUR PRESENCE AND ROLE HERE. THE LONGER AGREEMENT IS DELAYED THE MORE THE U.S. TERMS WILL HAVE TO BE MODIFIED TO ACHIEVE IT. WE CANNOT SETTLE TODAY FOR WHAT WOULD HAVE BEEN

ACCEPTABLE TO PANAMA A FEW YEARS AGO.

7) UNILATERAL CHANGES

THERE ARE ALMOST NO UNILATERAL CHANGES THAT WE CAN MAKE BECAUSE ALMOST ALL ITEMS REQUIRE A BILATERAL AGREEMENT WITH PANAMA. HOWEVER, THERE ARE TWO UNILATERAL ITEMS WE SHOULD CONSIDER IMMEDIATELY:

A. IN OCT 1971 TORRIJOS CONDEMNED STRONGLY THE FACT THAT THE US HAD A "GOVERNOR" IN PANAMA. THIS IS STILL AT THE TOP OF THE LIST OF GRIEVANCES AND WE SHOULD CONSIDER A REORGANIZATION PLAN THAT ABOLISHES THE GOVERNORSHIP AND THE CANAL ZONE GOVT AND SUBSTITUTES THEREFORE THE CANAL ADMINISTRATOR AND THE CANAL ADMINISTRATION.

B. ALSO HIGH ON PANAMA'S LIST OF GRIEVANCES IS OUR ALLEGED VIOLATIONS OF THE NEUTRALITY PROVISIONS OF THE 1903 CONVENTION THROUGH THE MAINTENANCE OF A STRATEGIC SECRET

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MILITARY HEADQUARTERS IN PANAMA. WE SHOULD GIVE PRIORITY ATTENTION TO THIS LEGAL ISSUE.

THERE ARE TWO CHANGES WHICH WOULD REQUIRE AGREEMENT WITH PANAMA, BUT SHOULD NEVERTHELESS BE ADDRESSED IMMEDIATELY:

A. JURISDICTION.

WE SHOULD SEEK A PROVISIONAL AGREEMENT WITH PANAMA (WHICH THE SENATE WOULD HAVE TO APPROVE) TO RELINQUISH CRIMINAL AND CIVIL JURISDICTION OVER NON-U.S. GOVERNMENT ACTIVITIES IN THE ZONE AND PERSONS OTHER THAN U.S. CITIZEN EMPLOYEES OF THE USG AND THEIR DEPENDENTS.

THIS CHANGE IS THE TOUCHSTONE WHICH WOULD PERMIT US TO ALTER SIGNIFICANTLY THE MAJOR SOURCES OF FRICTION CONCERNING THE CANAL ZONE AND MOVE TOWARD SATISFYING LONG-HELD PANAMANIAN ASPIRATIONS. WITH THE U.S. NO LONGER REQUIRED TO EXERCISE CRIMINAL AND CIVIL JURISDICTION OVER OFFICIAL AND PRIVATE PANAMANIANS IT WOULD BE POSSIBLE TO WORK OUT ARRANGEMENTS FOR PANAMANIAN OPERATION OF ONE OR TWO PIERS AT CRISTOBAL, THUS PROVIDING A "PANAMANIAN PORT"; TO PERMIT PANAMA TO MAKE USE OF NEW AND OLD FRANCE FIELDS; AND TO ENGAGE COMPETITIVELY IN COMMERCIAL ACTIVITIES IN THE CANAL ZONE, NOW IMPOSSIBLE BECAUSE OF U.S. APPLICATION OF THE MINIMUM WAGE REQUIREMENTS OF THE U.S. FAIR LABOR STANDARDS ACT. THIS NEW RELATIONSHIP WOULD ONLY BE A WAY POINT ON THE ROAD TO A NEW TREATY BUT IT WOULD GIVE US AN OPPORTUNITY TO ESTABLISH CONFIDENCE AND GAIN A BETTER IDEA HOW MORE FAR-REACHING CHANGES WOULD WORK.

B. FLAGS.

1. THE STATUS WE ACCORD PANAMA'S FLAG IN THE CANAL ZONE THE ESSENCE OF EQUALITY. WE SHOULD OFFER PANAMA A NEW FLAG AGREEMENT WHICH WOULD GIVE ITS FLAG CO-EQUAL STATUS WITH OURS.

8) OTHER CHANGES.

IF THE CHANGES SUGGESTED IN PARAGRAPH 7 WERE MADE, THEN OTHER CHANGES ALONG THE LINE OF OPTION B OF THE IG"ARA PAPER OF JULY 10 COULD BE MADE, ESPECIALLY THOSE WHICH

WOULD REDUCE U.S. VISIBILITY SUCH AS LICENSE PLATES AND  
POST OFFICES. PANAMA ALSO NEEDS URGENTLY A RIGHT-OF-WAY  
THROUGH THE CANAL ZONE FROM ARRAIJAN TO COCUMEN FOR AN  
EXPRESS HIGHWAY. WE SHOULD ALSO CONSIDER ESTABLISHMENT OF  
A US-PANAMA JOINT COMMISSION TO STUDY CANAL EXPANSION.  
IF PANAMA WOULD AGREE TO THE CHANGES PROPOSED IN 7 AND 8  
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ABOVE, THIS WOULD CONSTITUTE A VERY SUBSTANTIAL ALTERATION  
IN THE EXISTING RELATIONSHIP. IT WOULD MEAN THAT WE HAD  
REMOVED THE MOST SERIOUS IRRITANTS AND ALSO MOST OF THE  
BASIS FOR INTERNATIONAL CRITICISM, BUT THE CANAL ZONE WOULD  
REMAIN AS A SECURITY ZONE FOR THE CANAL. WE WOULD STILL  
NEED A TREATY TO RESOLVE THE REMAINING ISSUES ON JURIS-  
DICTION, DURATION, ECONOMIC BENEFITS, SEA LEVEL CANAL CON-  
STRUCTION, ADMINISTRATION AND DEFENSE, STATUS OF OUR FORCES  
WHEN OUTSIDE THE ZONE, ETC., BUT WE MIGHT BE  
ABLE TO PROCEED AT A REASONABLE PACE AND WITH MORE LIGHT  
AND LESS HEAT.  
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